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Canadian Breweries Limited



Fourteenth Annual Report

Year ended October 31st
1943

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CANADIAN BREWERIES LIMITED

Board of Directors

K. S. BARNES	Montreal
W. L. BAYER	Montreal
J. A. BOHANNON	Cleveland
C. F. W. BURNS	Toronto
ROBERT FLEMING	Toronto
CHAS. S. KING	Windsor
C. D. MAGEE	Toronto
M. W. McCUTCHEON	Toronto
E. P. TAYLOR	Toronto
LT.-COL. P. B. TAYLOR	Ottawa

12/24/46
L. ALLEN

London (England) Committee

L. A. STRIDE, Chairman
A. C. WHITMEE G. F. COBBOLD
JOHN DUNLOP, C.A.

Officers

President	E. P. TAYLOR
Chairman of Executive Committee	K. S. BARNES
Executive Vice-President	D. C. BETTS
Vice-President	JAMES F. COSGRAVE
Treasurer	H. A. TAYLOR
Secretary	W. C. BUTLER

Transfer Agent and Registrar

NATIONAL TRUST CO., LIMITED
Toronto

Auditors

GEORGE A. TOUCHE & CO.

Bankers

THE ROYAL BANK OF CANADA
IMPERIAL BANK OF CANADA

CANADIAN BREWERIES LIMITED

Toronto, Canada,
January 19, 1944.

TO THE SHAREHOLDERS:

Your Directors present herewith a statement of the affairs and financial position of the Company for the fiscal year ended October 31, 1943.

Domestic sales through normal channels were held to 90% of the previous year's sales in compliance with the regulations of the Dominion Government. Your Company was again privileged to supply a proportion of the requirements of beer from Canada for the British armed forces engaged in different theatres of war.

The net profit for the year before income taxes amounted to \$2,750,266.77 against \$2,015,496.44 in the previous year. After provision for income and excess profits taxes in the amount of \$1,886,000.00 there remained a final net profit of \$864,266.77 in comparison with the last year's profits of \$777,564.38, both inclusive of the refundable portion of the excess profits tax.

The outstanding $4\frac{1}{2}\%$ to $5\frac{1}{2}\%$ debentures were retired and debentures in the amount of \$3,000,000 carrying interest from 3% to $4\frac{1}{2}\%$ were issued and sold. Due to this financing and favourable operating results the net working capital stood at \$4,002,206.64 against \$2,017,282.77 a year ago.

In connection with the acquisition of the entire minority interest in Canada Bud Breweries Limited, the issued capital stock of the Company was increased by 11,800 preference shares and 59,074 common shares.

All plants were maintained in splendid physical condition which made it possible to continue to produce ales and lager beers of the finest quality.

In conjunction with the brewing industry as a whole, your Company has co-operated fully with the Wartime Prices and Trade Board in all measures required to further Canada's war effort.

Your Company's relations with labor have been particularly cordial. The executives of the Company and the officers of the labor unions respect each other, meet frequently and have never failed to settle matters pertaining to working conditions and rates of pay on a mutually satisfactory basis.

Provision has continued to be made for the welfare of employees and their families. Wages paid are the highest in the industry. Employees have the benefit of health, sick-

ness, accident, hospitalization and life insurance as well as enjoying holidays with pay and being provided with an assured income on retirement. The major cost of such benefits is borne by the Company.

Your Directors are proud of the fact that 130 employees have since the outbreak of war joined the Armed Forces of the Nation, but record with regret that 4 of them made the supreme sacrifice during the year.

Ownership of the Company is at this time in the hands of 2,849 preference shareholders and 3,656 common shareholders.

A year ago your Company forthrightly expressed the opinion that the extent of the restrictions then imposed by the Dominion Government on the supply of beer was unjustified from any considerations relating to the successful prosecution of the war. With public opinion now overwhelmingly against the unnecessary restrictions, and alarmed at the conditions they have created, it is to be hoped the Government will not unduly delay the announcement of a modified policy, designed to ameliorate the present artificial shortage of beer.

Your Directors record with regret the death during the year of Mr. E. T. Sandell who was one of the original Directors of the Company.

Your Directors wish to record their appreciation of the loyalty and efficient services rendered by the officers and employees of the Company during the period under review.

Submitted on behalf of the Board of Directors.

E. P. TAYLOR,
President.

CANADIAN BREWERIES LIMITED

Consolidated Balance Sheet

ASSETS

CURRENT ASSETS:

Cash on Hand and in Bank.....	\$ 864,187.82
Investments including shares in brewing companies (Quoted market value \$1,598,249.09).....	1,333,680.58
Accounts and Bills Receivable less reserve for doubtful accounts.....	446,698.27
Stocks of Beer and Supplies valued on the basis of cost and containers on the basis of cost or replacement values as certified by responsible officials.....	3,500,751.41
Prepaid Expenses.....	70,656.30
	<hr/> \$6,215,974.38
REFUNDABLE PORTION OF EXCESS PROFITS TAX.....	397,500.00

DEFERRED CHARGES including \$161,268.00 balance of discount and expenses in connection with the issue of debentures.....	198,521.62
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FIXED ASSETS:

Land.....	\$ 989,285.03
Buildings.....	\$4,258,704.24
Plant and Equipment.....	5,287,021.46
	<hr/> \$9,545,725.70
Less: Reserves for Depreciation.....	3,335,826.53
	<hr/> *6,209,899.17
	<hr/> 7,199,184.20

*Buildings, Plant and Equipment with the exception of certain assets included at a net book value of \$250,155.56 are valued on the basis of independent appraisals made in 1939, plus subsequent additions at cost.

SUNDRY PROPERTIES AND INVESTMENTS including interest in affiliated companies and subsidiary company not consolidated in balance sheet at book values less reserves.....	992,038.78
	<hr/> <u>\$15,003,218.98</u>

We have examined the books and accounts of Canadian Breweries Limited and of its Subsidiary Companies for the year ended the 31st October, 1943. In connection therewith we tested accounting records and other supporting evidence and made a general review of the accounting methods and of the Profit and Loss and Surplus Accounts for the year. Based upon such examination we report that all our requirements as auditors have been complied with and that, in our opinion, the accompanying Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of Canadian Breweries Limited and its Subsidiary Companies as at the 31st October, 1943, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

GEORGE A. TOUCHE & CO.
Chartered Accountants, Auditors.

DATED at Toronto, Ontario, 6th January, 1944.

AND SUBSIDIARY COMPANIES

STATEMENT I

at the 31st October, 1943

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Accounts Payable and Accrued Liabilities.....	\$ 892,772.43	
Income and Excess Profits Taxes accrued less payments thereon.....		1,320,995.31
Note: Excess Profits Tax included at estimated amount subject to determination of standard profits.		<u>\$2,213,767.74</u>

DEBENTURES—Secured by First Mortgage:

Authorized..... \$10,000,000.00

Issued:

Serial Debentures maturing in annual instalments of \$200,000.00 on the 1st July in each of the years 1944 to 1952 inclusive and \$300,000.00 on the 1st July in each of the years 1953 to 1956 inclusive and paying interest at various rates from 3% to 4½% according to date of maturity..... 3,000,000.00

INVENTORY RESERVE..... 283,968.51

CAPITAL AND SURPLUS represented by:

Authorized Capital:

250,000 \$3.40 Cumulative Sinking Fund Convertible Preference Shares of no par value.
1,500,000 Common Shares of no par value.

Issued Capital:

175,000 \$3.40 Cumulative Sinking Fund Convertible Preference Shares of no par value after deducting 228 shares redeemed and cancelled... \$4,440,100.90
734,269 Common Shares of no par value..... 1,201,413.49

Capital Surplus including Surplus arising from appraisal of Fixed Assets—Statement II..... 1,760,412.07

Distributable Surplus—Statement III..... 2,103,556.27 9,505,482.73

CONTINGENT LIABILITY:

Sundry Guarantees, etc..... \$160,000.00

Note: Option rights expiring the 1st October, 1945, on 115,000 Common Shares at \$10.00 per share are outstanding in connection with a previous issue of Debentures.

\$15,003,218.98

Approved on behalf of the Board, E. P. TAYLOR, *Director*.
K. S. BARNES, *Director*.

STATEMENT IV

CANADIAN BREWERIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Year ended the 31st October, 1943

PROFIT FROM OPERATIONS before charging Depreciation, Income Taxes and other items as set out below.....	\$3,339,321.50
Miscellaneous Income (net).....	<u>49,466.34</u>
	\$3,388,787.84
LESS:	
Debenture Interest.....	<u>99,573.58</u>
NET PROFIT FOR YEAR before providing for Depreciation and Income Taxes...	\$3,289,214.26
PROVISION FOR DEPRECIATION.....	<u>538,947.49</u>
NET PROFIT FOR YEAR before Income Taxes.....	\$2,750,266.77
PROVISION FOR DOMINION INCOME AND EXCESS PROFITS TAXES... \$2,220,500.00	
LESS:	
Refundable portion of Excess Profits Tax.....	<u>334,500.00</u>
	1,886,000.00
BALANCE TRANSFERRED TO DISTRIBUTABLE SURPLUS—Statement III.....	<u><u>\$ 864,266.77</u></u>

CANADIAN BREWERIES LIMITED
AND SUBSIDIARY COMPANIES

CAPITAL SURPLUS INCLUDING SURPLUS ARISING
FROM APPRAISAL OF FIXED ASSETS
For the Year ended the 31st October, 1943

Balance at Credit the 1st November, 1942.	\$1,763,359.41
ADD:	
Net increase due to the purchase of additional shares of a Subsidiary during the year.	16,357.64
	<u>1,779,717.05</u>
DEDUCT:	
Net adjustment resulting from disposals of Fixed Assets during the year.	19,304.98
	<u>\$1,760,412.07</u>

STATEMENT III

DISTRIBUTABLE SURPLUS
For the Year ended the 31st October, 1943

Balance at Credit the 1st November, 1942.	\$1,824,110.35
ADD:	
Net Profit for the year ended the 31st October, 1943—Statement IV.	\$864,266.77
LESS: Net Profits applicable to minority shares to date of acquisition of same.	13,338.65
	<u>850,928.12</u>
	\$2,675,038.47
DEDUCT:	
Dividends Paid on Preference Shares.	571,482.20
	<u>\$2,103,556.27</u>

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Canadian Breweries Limited



Thirteenth Annual Report

Year ended October 31st
1942

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CANADIAN BREWERIES LIMITED

Board of Directors

K. S. BARNES	Montreal
W. L. BAYER	Montreal
C. F. W. BURNS	Toronto
ROBERT FLEMING	Toronto
CHAS. S. KING	Windsor
C. D. MAGEE	Toronto
M. W. McCUTCHEON	Toronto
E. M. PEDWELL	Orillia
E. T. SANDELL	St. Catharines
E. P. TAYLOR	Toronto
LT.-COL. P. B. TAYLOR	Ottawa

London (England) Committee

L. A. STRIDE, Chairman
A. C. WHITMEE G. F. COBBOLD
JOHN DUNLOP, C.A.

Officers

President	E. P. TAYLOR
Vice-President and Chairman of Executive Committee	K. S. BARNES
Vice-President	JAMES F. COSGRAVE
Vice-President	D. C. BETTS
Secretary	W. C. BUTLER
Treasurer	H. A. TAYLOR

Transfer Agent and Registrar

NATIONAL TRUST CO., LIMITED
Toronto

Auditors

GEORGE A. TOUCHE & Co.

Bankers

THE ROYAL BANK OF CANADA
IMPERIAL BANK OF CANADA

CANADIAN BREWERIES LIMITED

Toronto, Canada,
February 3, 1943.

TO THE SHAREHOLDERS:

Your Directors present herewith a statement of the affairs and financial position of your Company for the fiscal year ended October 31, 1942.

The net profit for the year, after providing for depreciation and other charges including income and excess profits taxes, amounted to \$777,564.38 in comparison with \$570,570.11 in the previous year.

Dividends were paid on the preference shares for the first two quarters of the year at the rate of \$3.00 per share per annum, and for the last half of the year at the rate of \$3.40 per share per annum in conformity with the approval given to the plan to eliminate arrears of dividends on the preference shares.

The debenture debt of the Company was reduced from \$1,550,000 to \$1,375,000 during the year.

Your Company was formerly engaged in the soft drink business through a subsidiary which was not profitable. Accordingly, the business of such subsidiary was sold during the year and, in connection therewith, your Company received \$700,000 principal amount of debentures of the purchaser company. Such debentures mature over a period of ten years but only bear interest in the earlier years if earned. These debentures are included in the balance sheet of your Company under the category of "Sundry Properties and Investments."

Your plants were maintained in excellent physical condition during the year. The products offered for sale were of the finest quality which could be manufactured.

Your Company has continued to make provision for the well-being and social security of its employees and their families. Wages paid are the highest in the industry and employees share in the benefits of health, sickness, accident, hospitalization and life insurance as well as being provided with an assured income on retirement. The major cost of such benefits is borne by your Company.

In conjunction with the industry as a whole, your Company has co-operated fully with the Wartime Prices and Trade Board and with it many steps were taken during the year to bring the industry's operation into conformity with wartime conditions in order to save manpower, expenses of distribution and to conserve the use of critical materials. The industry's basic material, barley malt, is in abundant supply in Canada. Because of that and

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owing to the increased demands for beer—due to increased employment and the shortage of other beverages, alcoholic and non-alcoholic—it was not anticipated that the Federal Government would restrict the workers of the country in a healthful beverage which could be supplied to them without any adverse effect on the war programme.

L ALLEN

Nevertheless the Prime Minister on December 16th, 1942, announced that the Government had decided by Order-in-Council to curtail the sale of beer to 90% of the previous year's sale, which in effect was a reduction to 70% of current demand. The Prime Minister in his address argued that a reduction in the consumption of beer would promote temperance and thus advance the war effort.

12/1/44 Temperance has never been furthered by restrictions. The Canadian consumption of beer has been very low in comparison with the other English-speaking democracies—for instance in the year 1942 the per capita consumption in Canada was only 55% of that of Great Britain and 65% of that of the United States of America.

Beer is a drink of moderation, a nourishing beverage, and a plentiful supply of it in wartime can make an important contribution to the well-being of a nation and the maintenance of morale.

The Government has also eliminated the advertising of alcoholic beverages. This action on the part of the Government was grossly unfair and indefensible.

Subject to the supply of beer being permitted to remain at 90% of last year's volume, the net profits of this Company available for distribution to shareholders will not suffer due to the economies which it has been possible to make in distribution expenses and because profits are now controlled by the incidence of the Excess Profits Tax.

25 April 1943. 114/42-114/43-25
A meeting of the holders of the preference shares of your Company is being called for March 29, 1943, and is to be held immediately after the annual meeting of shareholders. At the meeting of the holders of preference shares the preference shareholders will be requested to pass a resolution consenting to the issuance of debentures and secured obligations of your Company subject to the restrictions set out in the draft resolution annexed to the notice of such meeting. Your Directors are of the opinion that the present restrictions on the issuance of debentures are no longer appropriate having regard among other things to the fact that in the post-war period your Company will require to build a new plant in Ottawa to replace the brewery expropriated by the Dominion Government and also to make major additions and improvements to its other properties.

Your Directors wish to record their appreciation of the loyalty and efficient services rendered by the officers and employees of the Company during the period under review.

Submitted on behalf of the Board of Directors.

E. P. TAYLOR,
President.

CANADIAN BREWERIES LIMITED

Consolidated Balance Sheet

ASSETS

CURRENT ASSETS:

Cash on Hand and in Bank.....	\$ 241,094.21
Investments including shares in Brewing Companies (Quoted Market Value \$664,926.06).....	724,101.13
Accounts and Bills Receivable less Reserve for Doubtful Accounts.....	373,758.90
Stocks of Beer and Supplies valued on the basis of cost and Containers on the basis of cost or replacement values as certified by responsible officials.....	3,156,107.38
Prepaid Expenses.....	70,282.69
	<hr/> \$4,565,344.31
REFUNDABLE PORTION OF EXCESS PROFITS TAX.....	63,000.00

DEFERRED CHARGES including \$48,395.91 balance of Discount and Expenses in connection with the issue of Debentures.....	76,948.99
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FIXED ASSETS:

Land.....	\$ 989,285.03
Buildings.....	\$4,209,294.71
Plant and Equipment.....	5,325,774.39
	<hr/> \$9,535,069.10
Less: Reserves for Depreciation.....	2,892,721.72
	<hr/> *6,642,347.38
	<hr/> 7,631,632.41

*Buildings, Plant and Equipment with the exception of certain assets included at a net book value of \$344,737.69 are valued on the basis of independent appraisals made in 1939, plus subsequent additions at cost.

SUNDRY PROPERTIES AND INVESTMENTS including Interest in Affiliated Companies and Subsidiary Company not consolidated in Balance Sheet at book values less Reserves including Reserve for Inventories.....	878,595.00
	<hr/> \$13,215,520.71

We have examined the books and accounts of Canadian Breweries Limited and of its Subsidiary Companies for the year ended the 31st October, 1942. In connection therewith we tested accounting records and other supporting evidence and made a general review of the accounting methods and of the Profit and Loss and Surplus Accounts for the year. Based upon such examination we report that all our requirements as auditors have been complied with and that, in our opinion, the accompanying Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of Canadian Breweries Limited and its Subsidiary Companies as at the 31st October, 1942, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

GEORGE A. TOUCHE & CO.
Chartered Accountants, Auditors.

DATED at Toronto, Ontario, 31st December, 1942.

AND SUBSIDIARY COMPANIES

STATEMENT I

at the 31st October, 1942

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Bank Loans—Secured.....	\$ 341,800.00	
Accounts Payable and Accrued Liabilities.....	878,614.32	
Income Taxes Accrued.....	1,327,647.22	
<i>Note:</i> Excess profits tax included at estimated amount subject to determination of standard profits.		<u>\$2,548,061.54</u>

DEBENTURES—Secured by First Mortgage:

Authorized.....	\$2,500,000.00	
Issued:		
5½% Series "A" Sinking Fund Debentures due the 1st April, 1946, redeemable before and at maturity at a premium of 2%: £300,000-0-0 Sterling @ \$5.00 to the £...	\$1,500,000.00	
180,000-0-0 Less: Redeemed.....	900,000.00	
£120,000-0-0	\$ 600,000.00	
4%, 4½%, and 5% Series "B" Debentures maturing in annual instalments of \$75,000.00 on the 1st April, 1943 and \$100,000.00 in each of the years 1944 and 1945 and 1947 to 1951 inclusive, redeemable before maturity at a maximum premium of 2%—\$1,000,000.00 less \$225,000.00 matured and retired to date.....	775,000.00	1,375,000.00
MINORITY INTEREST IN SUBSIDIARY COMPANY.....		790,932.61

CAPITAL AND SURPLUS represented by:

Authorized Capital:		
250,000 \$3.40 Cumulative Sinking Fund Convertible Preference Shares of no par value.		
1,500,000 Common shares of no par value.		
Issued Capital:		
163,428 \$3.40 Cumulative Sinking Fund Convertible Preference Shares of no par value of which 228 redeemed and cancelled.....	\$3,887,843.15	
675,195 Common shares of no par value.....	1,026,213.65	
Capital Surplus including Surplus arising from Appraisal of Fixed Assets—Statement II.....	1,763,359.41	
Distributable Surplus—Statement III.....	1,824,110.35	8,501,526.56

CONTINGENT LIABILITY:

Sundry Guarantees, etc.....	<u>\$182,163.50</u>	
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Note: Option rights expiring the 1st October, 1945, not exceeding 128,000 Common Shares at from \$9.00 to \$10.00 per share are outstanding in connection with Series "A" Debentures issued.

\$13,215,520.71

Approved on behalf of the Board, E. P. TAYLOR, *Director*.
K. S. BARNES, *Director*.

STATEMENT IV

CANADIAN BREWERIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Year ended the 31st October, 1942

PROFIT FROM OPERATIONS before charging Depreciation, Income Taxes and other items as set out below.....	\$2,610,388.81
Miscellaneous Income (net).....	53,440.61
	<u>\$2,663,829.42</u>
LESS:	
Bank and other Interest.....	106,797.12
	<u>NET PROFIT FOR YEAR before providing for Depreciation and Income Taxes... \$2,557,032.30</u>
PROVISION FOR DEPRECIATION.....	541,535.86
	<u>NET PROFIT FOR YEAR before Income Taxes... \$2,015,496.44</u>
PROVISION FOR DOMINION AND PROVINCIAL INCOME TAXES.....	\$1,257,000.00
LESS:	
Refundable portion of Excess Profits Tax.....	63,000.00
	<u>1,194,000.00</u>
NET PROFIT FOR YEAR.....	\$ 821,496.44
LESS:	
NET PROFITS applicable to Minority Interests.....	43,932.06
	<u>BALANCE TRANSFERRED TO DISTRIBUTABLE SURPLUS—Statement III..... \$ 777,564.38</u>

CANADIAN BREWERIES LIMITED
AND SUBSIDIARY COMPANIES

CAPITAL SURPLUS INCLUDING SURPLUS ARISING FROM
APPRAISAL OF FIXED ASSETS
For the Year ended the 31st October, 1942

Balance at Credit the 1st November, 1941.....	\$1,878,857.68
ADD:	
Net increase due to the purchase of additional shares of Subsidiaries during the year.....	19,243.21
	1,898,100.89
DEDUCT:	
Net adjustment resulting from disposal of the business of a Subsidiary during the year.....	\$85,596.62
Net adjustment resulting from disposals of Fixed Assets during the year.....	49,144.86
	134,741.48
Balance at the 31st October, 1942—Statement I.....	\$1,763,359.41

STATEMENT III

DISTRIBUTABLE SURPLUS
For the Year ended the 31st October, 1942

Balance at Credit the 1st November, 1941.....	\$1,568,742.02
ADD:	
Net Profit for the year ended the 31st October, 1942—Statement IV....	777,564.38
	\$2,346,306.40
DEDUCT:	
Dividends Paid on Preference Shares.....	522,196.05
Balance at the 31st October, 1942—Statement I.....	\$1,824,110.35

